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C O N F I D E N T I A L SAN SALVADOR 002406

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TAGS: [PREL](#) [PGOV](#) [ES](#) [VE](#)  
SUBJECT: FUNES OFFERS PRAGMATIC, LEFT-OF-CENTER APPROACH

REF: SAN SALVADOR 2269

Classified By: The Ambassador, for reasons 1.4 (b) and (d).

11. (C) Summary: Mauricio Funes, FMLN Presidential Candidate, asserted to the Ambassador that he wanted to maintain close U.S.-Salvadoran ties, though characterized by mutual respect.

He rejected foreign (Venezuelan) financing of his campaign and said he expected to find significant support from Salvadoran donors, including business interests. He did suggest the FMLN would accept subsidized Venezuelan oil and might use resulting profits for the campaign. He towed a moderate line on economic policy and pledged an integrated enforcement/prevention approach to public security and an end to corruption and privilege for well-connected business interests. End Summary.

12. (C) Ambassador, accompanied by Political and Economic Counselors, met with FMLN Presidential Candidate Mauricio Funes December 13. Funes was accompanied by Francis "Hato" Hasbun, Campaign Advisor, and Hugo Martinez, FMLN Deputy in the National Assembly. Funes thanked the Ambassador for the invitation (this was their first meeting) and said he had hoped for an early opportunity to have an informal, frank discussion.

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On Relations with the U.S. and Others  
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13. (C) Asked whether, if elected, he intended to distance El Salvador from the U.S., Funes told the Ambassador he wanted to maintain good relations with the U.S., but that those relations must be based on mutual respect. As an example of a lack of respect, he said that during the 2004 elections, a State Department official and U.S. member of Congress had asserted publicly that an FMLN win would mean increased deportations, resulting in a sharp drop in remittances, and thus increased economic misery in the U.S. While not true, Salvadorans voted based on fear, not fact. In the end, he noted, ARENA won, but deportations went up anyway.

14. (C) Ambassador said the U.S. would not publicly support any party or candidate and that our public line would be that we support democracy, free markets, free trade, human rights, and the rule of law. If you run on those principles, he said, people will think we support you; if not, just the opposite. Funes welcomed the Ambassador's statement and said Salvadoran voters would be able to make that decision. Ambassador later recalled that FMLN sympathizers had burned U.S. flags on September 11 and expressed hope the FMLN would not do this again. Funes repeated that he and the FMLN want good relations with the U.S. and he pledged to spend the next sixteen months convincing us of their good intentions. He said he hopes for regular, continuing contact.

15. (C) Funes said he would not accept foreign government

funding for his campaign, neither from Venezuela nor any other country. Asked by the Ambassador if, consistent with the FMLN's support for human rights, he would publicly condemn the Venezuelan President's human rights violations and attempts to undermine Venezuelan democracy, Funes demurred, saying it was an internal issue. Ambassador replied that he had received numerous foreign complaints about alleged human rights violations in Suchitoto, that condemning human rights violations wherever they occurred was common, and suggested Funes could strengthen his credibility by labeling human rights violations as such, regardless of where they occur.

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The Campaign  
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¶6. (C) Funes discussed his plans to visit the U.S. the following week, saying he would meet with various Salvadoran groups and business associations in New York (Entrepreneurs for Change, which has a chapter in El Salvador) and in the Washington area (Friends of Mauricio Funes), as well as with WHA A/S Shannon and a U.S. Senator whose name they could not recall. Asked if he expected Salvadorans abroad to be permitted to vote, he replied that while legislation had been introduced to permit non-resident voting in the presidential and legislative elections, it was unlikely to pass. Salvadorans living abroad, though, have great influence (based primarily on remittances) on how their compatriots in country vote, he said.

¶7. (C) The Ambassador asked how much money he would require for his campaign, and how he planned to finance it, Funes replied that the amount he would need -- he offered a figure of \$10 million -- would depend on the campaign. However, he seemed to suggest just the opposite ) that the campaign would be limited by financing. Funes expects approximately \$4 million in campaign funds from the central government and he is actively seeking (and, he said, receiving) funds from Salvadoran business and private interests. While he had asserted he would not accept foreign funding, Funes said he would respect donor wishes not to be publicly identified. (Note: Salvadoran law does not place limits on foreign funding of campaigns nor are there disclosure requirements.) As an example of why, Funes said he had lunched the day before with Roberto Kriete, President of TACA, and that reports in the press the following day had suggested Kriete has offered to contribute to the campaign. Funes did nothing to dispel that suggestion, though he did not confirm it.

¶8. (C) Discussing ongoing rumors of the FMLN importing subsidized oil from Venezuela to finance its campaign, Martinez attempted to draw a distinction between this and a direct campaign donation. He argued that since Venezuela had offered this petroleum to the GOES, too, and it was rejected, there was no impropriety in accepting Venezuela's terms and the accompanying profit.

¶9. (C) Funes also related that another businessman from the western part of the country supports him and has lent him his armored vehicle for transportation. He said this supporter has since received a call from the ARENA San Salvador Departmental Director threatening the supporter that they would destroy his business if he kept supporting Funes.

¶10. (C) Funes said that he still had not joined the FMLN, though he would eventually do so, as the Salvadoran Constitution requires that presidential and vice presidential candidates belong to a party. He said he would join the FMLN at the last moment, in order to maximize his opportunities to attract non-FMLN voters in the meantime.

¶11. (C) Funes also said neither he nor the FMLN would support the use of violence in the campaign. He had always opposed violent, leftist groups and would continue to do so.

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Public Security Issues  
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¶12. (C) Funes asserted that ARENA was not doing enough on public security issues because certain elements of the party are making money off of it. Funes said the ARENA official cited above for making threats against one of his supporters owned the largest private security firm in El Salvador, and routinely won government security contracts despite seldom being the low bidder. Funes argued that it makes no sense whatsoever to have twice the number of private security officials (some 30,000) as there are members of the police force (16-17,000).

¶13. (C) Asked by the Ambassador how he would address security issues, Funes said a solution must address both law enforcement and prevention aspects of the problem. Funes said he would move to increase police salaries, improve their equipment, and agreed it is important to address street crime such as beggars, window washers, etc., though he views prevention efforts as a more effective solution, by providing education and job opportunities.

¶14. (C) The Ambassador asked if he and the FMLN would support the draft criminal procedures code reform in the Assembly. Funes deferred to Martinez, but said FMLN attorneys had issues with two articles of the code. (Note: The draft code was drafted with close support from USAID-funded consultants.) First, the FMLN disagreed with the retroactive nature of the new procedures, applying to crimes committed before the code was adopted. Second, it is concerned about the code's provisions to allow undercover operations, on the grounds they could be abused.

¶15. (C) On wiretap authority, Funes said that in principle he and the FMLN recognize the importance of this tool in fighting organized crime and narcotrafficking. However, he asserted ARENA is currently engaged in illegal wiretapping aimed at political opponents, and the FMLN would not support authorizing wiretapping until it is in power, because it would run the risk of retroactively blessing these illegal activities. Funes said he and the FMLN would never abuse wiretap authority. When the Ambassador said he had heard the FMLN was also engaged in illegal surveillance activities, Funes did not reply directly and did not deny the charge.

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It's the Economy  
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¶16. (C) Moving to economic issues, Funes echoed public comments appearing that day in the press and made clear that he accepted CAFTA-DR and called it an important, needed step to open up the U.S. market for Salvadoran exports. However, he said that market access had not been evenly distributed, leaving small and medium enterprises at a disadvantage. He proposed government support (training, trade promotion, etc.) to enable these firms to take greater advantage of CAFTA.

¶17. (C) Asked to explain his support for CAFTA-DR when contrasted with the FMLN's decision to fight the agreement in the Salvadoran court system, Funes deferred to Martinez. He reported that the FMLN's challenge was procedural, based on the failure to follow required procedures (requiring a super-majority for approval) when voting on CAFTA-DR. Martinez was head of one committee that reviewed the treaty and made recommendations on how its implementation could be improved. The report was "thrown into the trash" without consideration.

¶18. (C) On persistent calls for de-dollarization, Funes said his economic team had studied the issue and, while there is a strong public perception in El Salvador that dollarization has led to significant cost of living increases, his team disagrees. He said the vast majority of Salvadorans believe that a return to the Colon would cause prices to go down, but that his analysis was that just the opposite would occur. He said he had no interest in becoming President and precipitating a quick return to inflation and a sharp rise in the cost of living.

¶19. (C) Funes said that the Salvadoran state needed additional tax resources to provide needed services, and said he agreed with the analysis of former Ambassador Barclay that improved collection, not raising rates, was the best approach. Funes said he disagreed with the study done by IDB several years ago that suggested hiking value-added tax (VAT) rates in order to raise revenues. He said tax evasion, avoidance, and smuggling were significant problems, and pledged to bring an end to what he called the privileged circle of businessmen connected to ARENA.

¶20. (C) Ambassador Glazer commented that Funes sounded more like a capitalist than the socialist he asserts he is. Funes said he associates himself with leftists like Spain's Felipe Gonzalez, Chile's Bachelet and Brazilian President Lula. While the state has a role to play in the economy, he said, that role should be limited to the minimum needed to ensure the market functions. The government, he said, cannot compel businesses to hire or investors to invest. It can only create conditions favorable to business and investors.

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Meat or Veggies?  
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¶21. (C) Comment: Funes comes across as a moderate, articulate and potentially winning candidate. He clearly understands that there is much to be done to win the trust of the electorate, and of the U.S., and that proving the FMLN has truly changed (or is changing) course will be difficult. Asked to describe where he stood on the spectrum of the left, Funes related a story where he had been asked if he was a carnivorous or vegetarian leftist. He said he had replied simply that he was of the "left of hope." We expect his campaign will be marked more by pragmatism than ideology.

¶22. (C) Comment continued: Funes cited other examples of alleged ARENA corruption, and clearly sees this as a potent campaign weapon. This, combined with populist measures being undertaken by the Saca administration that are damaging domestic and foreign investment interests, could serve to alienate traditionally strong business support for ARENA and redound to the FMLN's benefit.

¶23. (C) Comment continued: As early 2009 municipal, legislative and presidential elections approach, we expect campaign rhetoric to become more heated and tactics such as those alleged by Funes (threats to donors, for example) to increase. Embassy San Salvador will review our reporting and analytical posture in coming months in order to determine what additional resources will be required to provide adequate coverage of the campaign, analysis of probable impact on U.S. interests, and to monitor the electoral process.  
Glazer